

## The Future of Home Price Appreciation and What It Means for You



Many consumers are wondering what will happen with home values over the next few years. Some are concerned that the recent run-up in home prices will lead to a situation similar to the [housing crash](#) 15 years ago.

However, experts say the market is totally different today. For example, Odeta Kushi, Deputy Chief Economist at *First American*, [tweeted](#) just last week on this issue:

*“... We do need price appreciation to slow today (it’s not sustainable over the long run) but high price growth today is supported by fundamentals- short supply, lower rates & demographic demand. And we are in a much different & safer space: better credit quality, low DTI [Debt-To-Income] & tons of equity. Hence, a crash in prices is very unlikely.”*

Price appreciation will slow from the double-digit levels the market has seen over the last two years. However, experts believe home values will **not** depreciate (where a home would lose value).

To this point, *Pulsenomics* just released the latest [Home Price Expectation Survey](#) – a survey of a national panel of over 100 economists, real estate experts, and investment and market strategists. **It forecasts home prices will continue appreciating over the next five years.** Below are the expected year-over-year rates of home price appreciation based on the average of all 100+ projections:

- **2022:** 9%
- **2023:** 4.74%
- **2024:** 3.67%
- **2025:** 3.41%
- **2026:** 3.57%

Those responding to the survey believe home price appreciation will still be relatively high this year (though half of what it was last year), and then return to more normal levels over the next four years.

### **What Does This Mean for You as a Buyer?**

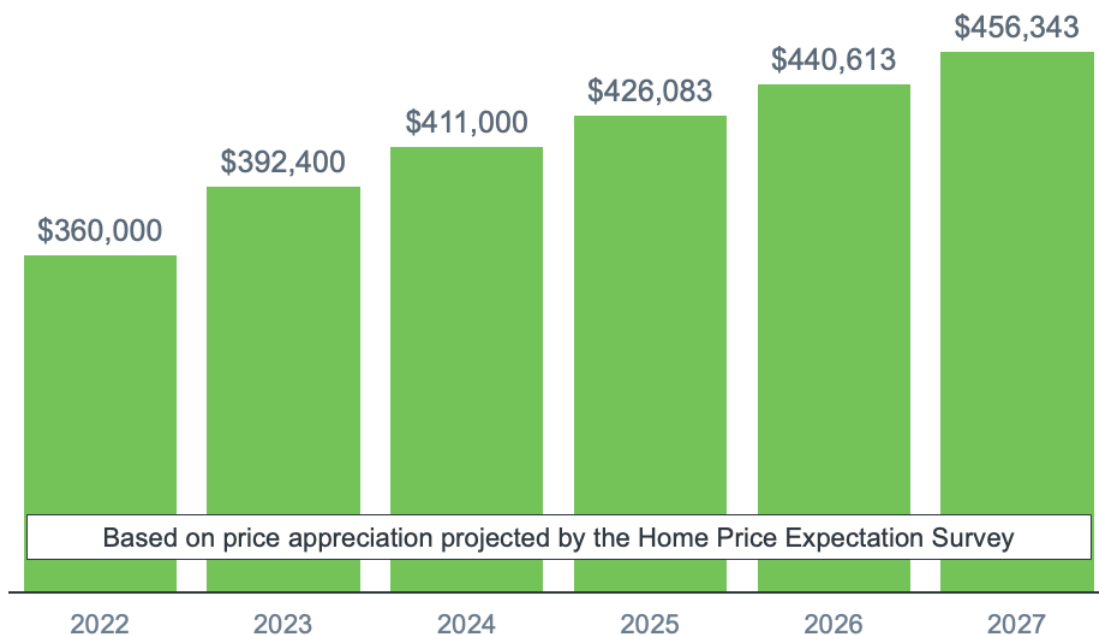
With a limited supply of homes available for sale and both prices and mortgage rates increasing, it can be a challenging market to navigate as a buyer. But buying a home sooner rather than later does have its benefits. If you wait to buy, you'll pay more in the future. However, if you buy now, you'll actually be in the position to make future price increases work for you. Once you buy, those rising home prices will help you build your home's value, and by extension, your own household wealth through home equity.

As an example, let's assume you purchased a \$360,000 home in January of this year (the [median price](#) according to the *National Association of Realtors* rounded up to the nearest \$10K). If you factor in the forecast for appreciation from the *Home Price Expectation Survey*, you could accumulate over \$96,000 in household wealth over the next five years (see *graph below*):

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**\$96,343**

Potential growth in household wealth over the next 5 years based solely on increased home equity if you purchase a \$360K home in January 2022



Source: Q4 2021 HPES

## Bottom Line

If you're trying to decide whether to buy now or wait, the key is knowing what's expected to happen with home prices. Experts say prices will continue to climb in the years ahead, just at a slower pace. So, if you're ready to buy, doing so now may be your best bet for your wallet. It'll also give you the chance to use the future home price appreciation to build your

own net worth through rising equity. If you want to get started, let's connect today.